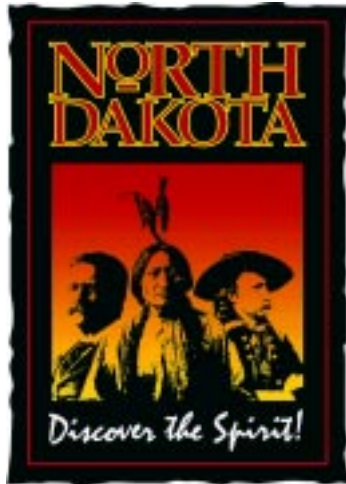


1998 North Dakota Individual income tax

Forms and instructions



Booklet includes

Form 37-S (Short form)
Form 37 (Long form)
Schedule 2
Schedule 3
Schedule 4
Schedule NR
Instructions



A Message From Tax Commissioner Rick Clayburgh . . .

Dear Fellow Taxpayer:

Here is the 1998 North Dakota individual income tax booklet. You'll notice we have made some changes this year. A number of the changes you'll find in this booklet are due to comments from taxpayers like yourself. There are two changes I would like to highlight.

Have you noticed? The social security number...on the label? It's gone!

Due to taxpayer concern about privacy and security, we removed the social security number from the peel-off address label. This change makes it very important that you type or print your social security number (and your spouse's, if applicable) in the appropriate box(es) on your return. Your help in this regard will be appreciated.

"Why do I have to give you a copy of my federal return?"

This is a common question asked by taxpayers. While true, the answer of "it's the law" does not adequately address it. We use the federal return as the main source of information for calculating your North Dakota income tax. Sure, we can get this information from the IRS, but that's neither timely nor practical—for us or taxpayers. In addition, making the federal return a required attachment to the state return allows us to keep the state return as short and simple as possible.

We are striving to provide you the best service possible. If you have comments or need assistance, please let us know.

Thank you.

Please remove label and attach it to your return

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Forms included in this booklet

Form 37-S (Short form)

Form 37 (Long form)

Schedule 2

Schedule 3*

Schedule 4*

Schedule NR*

* **Note:** The instructions to Schedule 3, Schedule 4 and Schedule NR are on the front or back of the schedule.

Privacy Act information. In compliance with the Federal Privacy Act of 1974 (Public Law 93-579), the disclosure of the individual's social security number on the North Dakota income tax return and any required schedules is mandatory and is required under Subsections 1 and 7 of North Dakota Century Code § 57-38-31. An individual's social security number is used as an identification number by the North Dakota Office of State Tax Commissioner for file control and recordkeeping purposes, and for cross-checking the individual's files with those of the Internal Revenue Service.

Preparation reminders

Following are items you should keep in mind as you prepare your return.

- Read the instructions—changes are incorporated periodically
- Rounding of numbers to the nearest dollar is allowed *except for the amount of your tax, income tax credits, withholding and estimated tax payments*
- Before you file, be sure to:
 - Write your social security number(s) on your return
 - Attach all W-2s (and 1099s showing North Dakota withholding)
 - Attach all required schedules and supporting statements
 - Attach a **complete** copy of your federal tax return
 - Sign the return
 - Use enough postage for mailing

How to assemble your return

Your return and required attachments (except check or money order) should be stapled together in the upper-right hand corner. Assemble documents in the following order:

1. Form 37-S or Form 37 (with either Schedule 2 or Schedule 3),
2. Schedule 4, Schedule NR, and other required schedules and forms,
3. Form W-2s (and 1099s, if applicable),
4. Copy of federal tax return,
5. Supporting statements that you are required to prepare and attach,
6. Cop(ies) of other state return(s), if required, and
7. Copy of extension form, if required.

Enclose your check or money order, or attach it to the front of return with a paper clip. **Do not staple it to return.**

Use tax...requirement?

Did you purchase goods from outside North Dakota or outside the U.S?

If you did, you may have to pay North Dakota sales tax (and applicable city sales tax) on those goods.

Technically, what you have to pay is called a use tax. It applies to the same goods which are subject to North Dakota's sales tax. The use tax applies whether you purchase goods in person at an out-of-state location, or by mail, phone or the Internet.

If you didn't pay any sales tax, or you paid tax to another country, at the time of purchase, you must pay the use tax at North Dakota's sales tax rate on the total purchase. Or, if you did pay sales tax to another state at the time of purchase, but you paid less than what you would have paid in North Dakota, the difference is the amount of use tax you must pay. If applicable, city sales taxes must be included in the calculation.

If this applies to you, you must complete and file a North Dakota Use Tax Return. To obtain one, call the North Dakota Sales and Special Taxes Division at **(701)328-3389**. Or download it from our Internet web site at **www.state.nd.us/taxdpt**.

How to obtain information about your refund or return

Your income tax return, estimated payments and all other income tax information on file in our office is confidential by law. To protect the confidentiality of this information, we generally will not provide it over the telephone—even to the taxpayer—because of the difficulty in verifying a caller's identity.

Requesting information

To check on your refund or estimated payments, or to obtain other information including a copy of your return, please send us a written request for the information.

Your request must contain the following:

1. Your name and current address;
2. Your social security number;
3. Daytime telephone number;
4. Description of the information;
5. Tax year involved; and,
6. Most importantly, your signature.

Please allow at least 6 weeks after filing your return before asking about your refund. This allows a reasonable amount of time to process the returns.

Thank you for your patience with this necessary process.

Copy of federal return

By law, you must attach a complete copy of your federal income tax return to your North Dakota return. If you used IRS's TeleFile system to file your federal return, a copy of the Federal TeleFile Worksheet that you completed for that purpose will satisfy this requirement.

For 1998 CALENDAR YEAR, or fiscal year beginning _____, 1998, and ending _____, 19 _____

Label Affix label here ► If you do not have a label, print or type information.	Your first name and initial _____ Last name _____		▼ IMPORTANT ▼ Your social security number _____																																																																																																									
	If joint return, spouse's first name and initial _____ Last name _____		Spouse's social security number _____																																																																																																									
	Mailing address _____ Apt. no. _____		You must enter your SSN(s) above. See instructions.																																																																																																									
	City, town or post office, state and Zip Code _____		Federal estimated tax requirement? Yes <input type="checkbox"/> No <input type="checkbox"/>																																																																																																									
Filing status - 1. <input type="checkbox"/> Single 3. <input type="checkbox"/> Married filing separate - Enter your spouse's name _____ 4. <input type="checkbox"/> Head of household 2. <input type="checkbox"/> Married filing joint 5. <input type="checkbox"/> Qualifying widow(er)																																																																																																												
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Attach a complete copy of your 1998 federal income tax return																																																																																																												

I declare under the penalties of North Dakota Century Code § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return. **For Privacy Act Information, see inside front cover of instruction booklet.**

Your signature _____	Date _____	Your daytime phone no. ► (PH) _____	<input type="checkbox"/> OPR	Please Do Not Write In This Space
Spouse's signature (if joint return) _____	Date _____	Area code () _____		
Paid preparer's signature _____		Date _____		

"Buy North Dakota Products"

For 1998 CALENDAR YEAR, or fiscal year beginning _____, 1998, and ending _____, 19 _____

▼ IMPORTANT ▼

Label Affix label here ►	Your first name and initial _____ Last name _____		Your social security number ____ ____ ____	
	If joint return, spouse's first name and initial _____ Last name _____		Spouse's social security number ____ ____ ____	
	Mailing address _____		Apt. no. _____	You must enter your SSN(s) above. See instructions.
	City, town or post office, state and Zip Code _____		Federal estimated tax requirement? Yes <input type="checkbox"/> No <input type="checkbox"/>	
Filing status - 1. <input type="checkbox"/> Single 3. <input type="checkbox"/> Married filing separate - Enter your spouse's name _____ 4. <input type="checkbox"/> Head of household 2. <input type="checkbox"/> Married filing joint 5. <input type="checkbox"/> Qualifying widow(er)				
Filing category - 1. <input type="checkbox"/> Resident Note: If you moved into or out of North Dakota during the year, see page 4 for instructions on which box to check. 2. <input type="checkbox"/> Nonresident Check either of these boxes only if it applies to you. See page 3 of instructions. <input type="checkbox"/> Amended return <input type="checkbox"/> Extension form attached				
School district code - Enter number _____ Income source code - Enter number _____ from list on page 10 of instructions from list on page 4 of instructions				

Tax Computation Schedule - Residents must complete Schedule 2 and nonresidents must complete Schedule 3 before completing this schedule.

1. North Dakota taxable income (Residents from line 32, Schedule 2. Nonresidents from line 29, Schedule 3) (A)	1	
2. Compute tax using the Tax Rate Table below and enter result	2	
3. Credit for income tax paid to another state (from Schedule 4) (D)	3	
4. Credit for contributions to nonprofit private colleges in North Dakota (?)	4	
5. Credit for contributions to nonprofit private high schools in North Dakota (-)	5	
6. Long-term care insurance credit (1L)	6	
7. Other credits (Identify) (1T)	7	
8. North Dakota venture capital corporation investment credit (1K)	8	
9. North Dakota Small Business Investment Company investment credit (1B)	9	
10. Nonprofit development corporation investment credit (1F)	10	
11. Qualified business seed capital investment credit (1M)	11	
12. Net Tax Liability (Line 2 less lines 3 through 11. If less than zero, enter -0-) (E)	12	
13. North Dakota income tax withheld (Attach supporting W-2s and 1099s) (F)	13	
14. 1998 estimated tax payments and amount applied from 1997 return (&)	14	
15. Total payments (Line 13 plus line 14)	15	
16. Overpayment (If line 15 is greater than line 12, subtract line 12 from line 15 and enter result. Otherwise, go to line 21) (If less than \$5, enter -0-) (G)	16	
17. Amount of line 16 you wish to apply to 1999 estimated tax (1Q)	17	
18. Amount of line 16 you wish to contribute to Nongame Wildlife Fund (1P)	18	
19. Amount of line 16 you wish to contribute to Centennial Tree Trust Fund (1D)	19	
20. Refund (Line 16 less lines 17, 18, and 19) (If less than \$5, enter -0-) (1R)	20	
21. Tax Due (If line 15 is less than line 12, subtract line 15 from line 12 and enter result) (If less than \$5, enter -0-) (Z)	21	
22. Voluntary contribution to Nongame Wildlife Fund (Not allowed if line 21 is -0-) (1U)	22	
23. Voluntary contribution to Centennial Tree Trust Fund (Not allowed if line 21 is -0-) (1E)	23	
24. Balance Due (Line 21 plus lines 22, 23 and, if applicable, 25) Pay to State Tax Commissioner	24	
25. Interest on underpaid estimated tax, if any (from line 17, Form 400-UT) (1C)	25	

Attach a complete copy of your 1998 federal income tax return

I declare under the penalties of North Dakota Century Code § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return. **For Privacy Act Information, see inside front cover of instruction booklet.**

Your signature _____	Date _____	Your daytime phone no. ► (PH) _____		
Spouse's signature (if joint return) _____	Date _____	Area code () _____	Paid preparer's signature _____	Date _____

If amount on line 1 is:		Your tax is:		Tax Rate Table	
Over	But not over				
\$ 0	\$ 3,000			2.67% of the amount on line 1	
3,000	5,000	\$ 80.10	plus 4.00%	of the amount over \$ 3,000	
5,000	8,000	160.10	plus 5.33%	of the amount over 5,000	
8,000	15,000	320.00	plus 6.67%	of the amount over 8,000	
15,000	25,000	786.90	plus 8.00%	of the amount over 15,000	
25,000	35,000	1,586.90	plus 9.33%	of the amount over 25,000	
35,000	50,000	2,519.90	plus 10.67%	of the amount over 35,000	
50,000		4,120.40	plus 12.00%	of the amount over 50,000	

☐ OPR

Please Do Not Write In This Space

"Buy
North
Dakota
Products"

A. Federal adjusted gross income (from line 33, Form 1040 or line 18, Form 1040A or line 4, Form 1040EZ, or line H, TeleFile Worksheet.) (H)	A		
1. Federal taxable income (from line 39, Form 1040, or line 24, Form 1040A, or line 6, Form 1040EZ, or line J, TeleFile Worksheet.) (I)	1		
North Dakota additions			
2. Interest from state and local government obligations (except North Dakota) (J)		2	
3. State and local income taxes from line 5, Schedule A, Form 1040 [However, see instructions if line A above exceeds \$124,500 (\$62,250, if married filing separate)] (L)		3	
4. Other (See instructions) (Attach supporting statement)		4	
5. Total additions (Add lines 2 through 4) (M)		5	
6. Balance (Line 1 plus line 5)		6	
North Dakota subtractions			
7. Interest from U.S. obligations (N)		7	
8. Military pay exclusion (O)		8	
9. Additional military pay exclusion (2F)		9	
10. Military retirement pay exclusion (#)		10	
11. Income from a federal civil service pension, a North Dakota city firefighter or police officer pension, or the North Dakota highway patrol pension fund (Q)		11	
12. Interest income from sale of land to a qualifying beginning farmer (2H)		12	
13. Rental income from leasing of land to a qualifying beginning farmer (2I)		13	
14. Gain from sale of land to a qualifying beginning farmer (2J)		14	
15. Interest income from North Dakota financial institutions (2K)		15	
16. Interest income from sale of a business to a qualifying beginning businessman (2L)		16	
17. Rental income from leasing a business to a qualifying beginning businessman (2M)		17	
18. Gain from sale of a business to a qualifying beginning businessman (2N)		18	
19. North Dakota domestic dividend exclusion (P)		19	
20. Exclusion for investment in North Dakota venture capital corporation (2A)		20	
21. Medical expenses not allowed due to 7.5% of adjusted gross income limitation (Enter smaller of line 1 or line 3, Schedule A, Form 1040) (R)		21	
22. Additional exemption amount: If your Filing status (at top of Form 37) is Married filing joint or Head of household or Qualifying widow(er) , enter \$300		22	
23. Other (See instructions) (Attach supporting statement) (T)		23	
24. Total deductions (Add lines 7 through 23) (U)		24	
25. Balance (Line 6 less line 24)		25	
26. Federal income tax—See instructions for proper amount to enter on this line (V)		26	
27. Adjusted gross income (from line A at top of page) (W)	27		
28. If an entry was made on lines 7 through 19, or line 23, see the instructions for the amount to enter on this line. Otherwise, enter amount from line 26 on line 31, and go to line 32 (X)	28		
29. Subtract line 28 from line 27	29		
30. North Dakota income ratio (Divide line 29 by line 27 and round to two decimal places. If line 29 equals line 27, enter 1.00)		30	
31. Federal income tax deduction (Multiply line 26 by line 30) (Y)		31	
32. North Dakota taxable income (Line 25 less line 31) Enter here and on line 1, Tax Computation Schedule, Form 37		32	

Schedule NR must be completed and attached

1A. Federal adjusted gross income from line 27, Column A, Schedule NR (H)			1A	
1B. North Dakota adjusted gross income from line 27, Column B, Schedule NR (I)			1B	
2. Interest income from sale of land to a qualifying beginning farmer (3H)			2	
3. Rental income from leasing of land to a qualifying beginning farmer (3I)			3	
4. Gain from sale of land to a qualifying beginning farmer (3J)			4	
5. Interest income from sale of a business to a qualifying beginning businessman (3N)			5	
6. Rental income from leasing a business to a qualifying beginning businessman (3L)			6	
7. Gain from sale of a business to a qualifying beginning businessman (3M)			7	
8. Other (See instructions) (Attach supporting statement) (3T)			8	
9. Total North Dakota subtractions (Add lines 2 through 8) (3U)			9	
10. Balance (Line 1B less line 9)			10	
11. Federal income tax—See instructions for proper amount to enter on this line (N)			11	
12. North Dakota income ratio (Divide line 10 by line 1A. Round to two decimal places. If line 1A is negative and line 1B is positive, enter 1.00) — • — —			12	
13. Federal income tax deduction (Multiply line 11 by line 12) (3Y)			13	
14. Balance (Line 10 less line 13)			14	
15. North Dakota additions (See instructions) (Attach supporting statement) (3E)			15	
16. Balance (Line 14 plus line 15)			16	
<ul style="list-style-type: none"> • If you itemized deductions on your federal income tax return, or if you are required to itemize deductions for federal income tax purposes (whether or not you have any qualifying deductions), complete lines 17 through 21, skip line 22, and enter the amount from line 21 on line 23. • If you took the standard deduction on your federal income tax return, skip lines 17 through 21 and see the instructions for line 22. 				
17. Federal itemized deductions from line 28, Schedule A, Form 1040 (J)			17	
18. Medical expenses not allowed due to 7.5% of adjusted gross income limitation (Enter smaller of line 1 or line 3, Schedule A, Form 1040) (K)			18	
19. Balance (Line 17 plus line 18)			19	
20. State and local income taxes from line 5, Schedule A, Form 1040 [However, see instructions if line 1A above exceeds \$124,500 (\$62,250, if married filing separate)] (L)			20	
21. Net itemized deductions (Line 19 less line 20)			21	
22. Federal standard deduction (See instructions) (3D)	22			
23. If you were required to complete lines 17 through 21, enter the amount from line 21. Or, if you were required to complete line 22, enter the amount from line 22 (M)			23	
24. Federal exemption amount (See instructions) (3C)			24	
25. Additional exemption amount: If your Filing status (at top of Form 37) is Married filing joint or Head of household or Qualifying widow(er) , enter \$300			25	
26. Total (Add lines 23, 24, and 25) (O)			26	
27. North Dakota income ratio (Divide line 1B by line 1A. Round to two decimal places. If line 1A is negative and line 1B is positive, enter 1.00) — • — —			27	
28. Multiply line 26 by line 27 (3B)			28	
29. North Dakota taxable income (Line 16 less line 28) Enter here and on line 1, Tax Computation Schedule, Form 37) (P)			29	

North Dakota - Schedule 4 - Resident Filers

1998

1998

Schedule For Computing Credit For Income Tax Paid To Another State

(Attach to Form 37-S or Form 37)

1. Federal adjusted gross income (from line A, Form 37-S or line A, Schedule 2, Form 37)	(SJ)	1		
2. Amount of federal adjusted gross income reported to the other state (See instructions)	(SK)	2		
3. Divide line 2 by line 1 and round to two decimal places		3		
4. Enter the amount from line 10, Form 37-S or line 2, Tax Computation Schedule, Form 37		4		
5. Multiply line 4 by line 3	(SL)	5		
6. Income tax paid to the other state (See instructions)	(SM)	6		
7. Enter the smaller of line 5 or line 6. Enter this amount in the Schedule 4 box on line 11, Form 37-S or on line 3, Tax Computation Schedule, Form 37 (If you completed more than one Schedule 4, see instructions)		7		

To obtain this credit, you must attach the following to your North Dakota return:

- This schedule, and
- A copy of the income tax return(s) you filed with the other state(s).

General instructions

Eligibility for credit

You may be eligible for a credit for income tax paid to another state if:

1. You were a resident of North Dakota for all of the year, or you moved into North Dakota during the year and you choose to file as a resident (*See "Filing procedures for individuals who changed residence to North Dakota" on page 2 of the individual income tax return instruction booklet.*); **and**
2. You pay income tax to another state on part or all of the same income that you report to North Dakota for the year.

For purposes of this credit, "state" means any of the fifty U.S. states, the District of Columbia or a territory of the United States.

This credit is available only if you file an income tax return with the other state on which you compute and pay an income tax. No credit is allowed based on the amount of the other state's income tax withheld from your wages, nor on the amount of estimated income tax you may have paid to the other state, because part or all of these amounts may be refunded to you by the other state.

You must attach a copy of the other state's income tax return along with this schedule to your North Dakota individual income tax return to obtain the credit.

Payment of income tax to more than one state.

If you pay income tax to more than one other state on income that you also report to North Dakota for the year, you must complete a separate Schedule 4 for each state.

Did you work in Montana? If you are a resident of North Dakota and you received wages for work performed in Montana, the wages are not taxable by Montana. If your employer withheld Montana income tax from the wages you received for work performed in Montana, do not complete this schedule. Instead, you must file a Montana individual income tax return to obtain a refund of the withholding. (*For more information, see "Reciprocity" on page 3 of the individual income tax return instruction booklet.*) If you pay income tax to Montana on income other than wages, you may be eligible for this credit.

Did you work in Minnesota? If you are a resident of North Dakota and you received wages for work performed in Minnesota, the wages are not taxable by Minnesota if you maintained a home in North Dakota to which you returned at least once every month. If this applies to you, but your employer withheld Minnesota income tax from the wages you received for work performed in Minnesota, do not complete this schedule. Instead, you must file a Minnesota individual income tax return to obtain a refund of the withholding. (*For more information, see "Reciprocity" on page 3 of the individual income tax return instruction booklet.*) If you pay income tax to Minnesota

on other types of income that are not exempt from Minnesota income tax under the North Dakota—Minnesota reciprocity agreement, you may be eligible for this credit.

Specific line instructions

Line 2

Enter the portion of your federal adjusted gross income that you reported to the other state. Include only those items of income, gain, loss and other adjustments included in the computation of your federal adjusted gross income. **Do not** include any amount for personal or dependency exemptions, standard deduction, itemized deductions, or any other adjustment to federal adjusted gross income allowed or required by the other state's tax laws.

Line 6

Enter the amount of the income tax less any credits as shown on the other state's income tax return. **Do not** include the amount of the other state's income tax withheld from your wages or the amount of estimated income tax paid to the other state.

Line 7

If you completed more than one Schedule 4 because you paid income tax to more than one other state, add the separately computed amounts on line 7 of each Schedule 4, and enter the total in the Schedule 4 box on line 11, Form 37-S or line 3, Tax Computation Schedule, Form 37.

1998 **Schedule 3** instructions

Important

This schedule is to be used only by a nonresident filer who chooses to use Form 37 (Long Form). See **“Which form to use”** on page 4 of the individual income tax return instruction booklet for information on choosing a form.

If you choose to use Form 37, see **“Instructions for Form 37 (Long Form)”** on page 6 of the instruction booklet for the steps on completing Form 37.

Specific line instructions

Lines 1A and 1B

You must complete Schedule NR to determine the proper amounts to enter on these lines. Schedule NR is included in the individual income tax return instruction booklet.

Lines 2 through 4

If you sold or leased land located in North Dakota to a North Dakota resident individual who uses the land for agricultural purposes, you may qualify for one or more of the beginning farmer income tax deductions. To determine if you qualify, obtain the income tax guideline, *Beginning Farmer Income Tax Deductions*, from the Office of State Tax Commissioner. **Attach a copy of the Beginning Farmer Statement to your return.**

Lines 5 through 7

If you sold or leased a business located in North Dakota to a North Dakota resident individual who operates the business, you may qualify for one or more of the beginning businessman income tax deductions. To determine if you qualify, obtain the income tax guideline, *Beginning Businessman Income Tax Deductions*, from the Office of State Tax Commissioner. **Attach a copy of the Beginning Businessman Statement to your return.**

Line 8

You may be eligible for certain deductions and exclusions with respect to the types of income you reported to North Dakota on line 1B of Schedule 3. See the instructions for lines 7 through 11, 15, 19, 20 and 23 of Schedule 2 (Form 37) for a description of the deductions and exclusions that may apply. For the adoption deductions listed in the instructions to line 23 of Schedule 2 (Form 37), you must multiply the amount of the deduction by a ratio to determine the allowable deduction. The ratio is determined by dividing line 1B by line 1A. *(If line 1B is positive and line 1A is negative, the ratio is 1.00)* **Attach a statement identifying the deduction or exclusion claimed and showing its computation.**

If you qualify for the deduction for income from a pass-through entity subject to the North Dakota financial institution tax listed in the instructions to line 23 of Schedule 2 (Form 37), you must attach a copy of the statement you received from the pass-through entity to substantiate the adjustment.

Line 11

Enter your federal income tax from your federal income tax return as follows:

- If you used **Form 1040EZ**, enter amount from line 10 less line 8a; or
- If you used **Form 1040A**, enter amount from line 32 less lines 37a and 38 ; or
- If you used **Form 1040**, enter amount from line 49 plus line 53 plus any Section 72(m)(5) excess benefits tax and recapture taxes included on line 56 less lines 59a and 60; or
- If you used the **Telefile Worksheet**, enter amount from line J (the “Tax” box) less line K.

Line 15

If you changed your residence to or from North Dakota in 1998, the following income items must be entered on this line if you received them during the part of the year you were a resident of North Dakota:

- Interest income from state and local government obligations (other than North Dakota) that is exempt from federal income tax; and,
- Lump-sum distribution from a qualified retirement plan that you elected to report on Federal Form 4972.

If your North Dakota adjusted gross income on line 1B includes a loss from a pass-through entity subject to the North Dakota financial institution tax, you must enter the loss on this line because it is not deductible for North Dakota income tax purposes. For more information, see the instructions to line 4, Schedule 2 (Form 37). **Attach a copy of the statement you received from the pass-through entity informing you about this adjustment.**

Line 20

If a portion of your federal itemized deductions was disallowed because your federal adjusted gross income exceeded \$124,500 (\$62,250, if married filing separate), complete the following worksheet to determine the amount to enter on this line:

1. Amount of state and local taxes from line 5, Schedule A (Form 1040)	
2. Amount from line 3 of Federal Itemized Deductions Worksheet in Form 1040 instructions	
3. Divide line 1 by line 2 (round to two decimal places)	
4. Amount from line 9 of Federal Itemized Deductions Worksheet in Form 1040 instructions	
5. Multiply line 4 by line 3	
6. Line 1 less line 5. Enter this amount on line 20, Schedule 3	

Line 22

Enter your federal standard deduction from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 21; or
- If you used **Form 1040**, enter amount from line 36; or

- If you used the **Telefile Worksheet**, enter amount from line I (the “Standard Deduction” box); or
- If you used **Form 1040EZ**, the amount to enter depends on how you answered the question on line 5 of Form 1040EZ—
 - **No.** If you answered “No,” enter \$4,250, if single; **or** \$7,100, if married.
 - **Yes.** If you answered “Yes,” complete the following worksheet:

1. Amount from line 1, Form 1040EZ	
2. Earned income add-on	250
3. Add lines 1 and 2	
4. Minimum amount	700
5. Enter LARGER of line 3 or line 4	
6. Maximum amount. Enter \$4,250, if single; or \$7,100, if married	
7. Enter SMALLER of line 5 or line 6. Enter this amount on line 22, Schedule 3	

Line 24

Enter your federal exemption amount from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 23; or
- If you used **Form 1040**, enter amount from line 38; or
- If you used the **Telefile Worksheet**, enter amount from line I (the “Exemption Amount” box); or
- If you used **Form 1040EZ**, the amount to enter depends on how you answered the question on line 5 of Form 1040EZ—
 - **No.** If you answered “No,” enter \$2,700, if single; **or** \$5,400, if married.
 - **Yes.** If you answered “Yes,” enter:
\$-0-, if you are single, or you are married and both you and your spouse can be claimed as dependents by other taxpayers; **or**
\$2,700, if you are married and only you or your spouse can be claimed as a dependent by another taxpayer.

After completing Schedule 3, complete the Tax Computation Schedule on page 1 of Form 37.

The instructions to the Tax Computation Schedule on page 1 of Form 37 are on page 8 of the individual income tax return instruction booklet.

Schedule 3 and Schedule NR must be attached to Form 37.

Electronic filing is on the way!

The above logo signals that North Dakota is going to participate in the IRS's Federal/State Electronic Filing program. The North Dakota Office of State Tax Commissioner is currently working on its implementation and hopes to have it up and running soon.

Who will be eligible?

You will be eligible to electronically file your North Dakota return if: (1) You electronically file your federal return; (2) You elect to use Form 37-S (Short Form); and, (3) You are due a refund or owe no tax for North Dakota purposes. If you're a nonresident of North Dakota, Schedule NR will also be accepted electronically.

Why file electronically?

To start, you'll receive your refund faster. And, there's the peace of mind you'll get from receiving confirmation from us that your North Dakota return was accepted. Other benefits include faster processing and increased accuracy.

How do I file electronically?

If eligible, you may electronically file your North Dakota income tax return through a tax professional or other approved electronic filing transmitter, or through your personal computer. You may also be able to do so at one of the IRS's VITA & TCE taxpayer assistance sites. And, in some cases, you may be able to electronically file through your employer or a local financial institution.

Tax professional—Tax professionals can prepare and electronically file your return for you, or can electronically transmit a return you prepared yourself. Fees will vary depending on the tax professional and services desired. Just ask the tax professionals in your area if they offer this service, or look for the "Authorized IRS e-file Provider" sign.

Personal computer—You may also be able to file using your own PC. You'll need a modem and IRS-approved tax preparation software to electronically file using your PC. The software must allow for the filing of North Dakota income tax

returns. Check out the IRS's Internet website for companies that provide IRS-approved tax preparation software. The address is www.irs.ustreas.gov.

VITA and TCE sites—Also ask about electronic filing at the IRS's Free Voluntary Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites. Check with your local libraries, colleges and universities, senior centers and other community locations about sites in your area. Or call the IRS at **1-800-829-1040**.

When will electronic filing be available?

At the time this booklet went to press, the project was still being implemented, so it was uncertain whether it would be ready for the filing of 1998 returns. Watch for public announcements or check with any of the sources mentioned under "How do I file electronically?" You may also check with our office at **1-800-638-2901**.

Family member care tax credit FAQs

The family member care tax credit was created in 1997 to provide some relief to individuals who pay certain expenses for the care of a family member. Following are some common questions about the credit and our answers to them.

"Can a spouse be a qualifying family member?"

Yes, provided the spouse is at least 65 years old or disabled as determined by the Social Security Administration. In addition, the combined federal taxable income of both spouses must be no more than \$30,000.

"Can I claim the credit for qualified expenses I incur for my own care?"

No. The taxpayer and the qualifying family member must be different individuals.

"Does the Social Security Administration have to make a determination of disability?"

Yes. The law requires that a determination be made by the Social Security Administration. It isn't enough to just meet SSA's disability criteria. A taxpayer who claims the credit on this basis must attach proof of this determination to the tax return.

"Can I claim the credit for the expense of driving my mother to the doctor?"

No. Although all of the other criteria are met, an expense does not qualify unless the goods or services are provided by an organization or individual not related to either the taxpayer or the qualifying family member.

If you have other questions about the family member care tax credit, do not hesitate to contact the Office of State Tax Commissioner.

Error in '97 booklet

In 1997, a new adjustment was added to Form 37-S and Form 37. The adjustment is for income or loss from certain entities subject to the North Dakota financial institution tax (under N.D.C.C. ch. 57-35.3). Wherever this adjustment is mentioned in the 1997 booklet, we erred by making reference only to Subchapter S corporations subject to the financial institution tax. The reference should have been to *all pass-through entities* subject to this tax. A pass-through entity includes partnerships, Subchapter S corporations, and limited liability companies treated like partnerships.

We apologize for this error. If affected, you may file an amended 1997 North Dakota return.

Expiration of alternative fuels credit

The credit for installing conversion equipment on a vehicle to allow it to run on alternative fuels is no longer available for Form 37 filers. The credit expired on December 31, 1997.

Removal of your SSN from address label

To help protect your privacy, we removed your social security number from the peel-off address label that we put on this year's tax booklet. However, this change makes it very important that you write or print your social security number (and your spouse's social security number, if applicable) in the box(es) provided on the return.

1998 **Individual income tax** instructions

General information

Who must file a return

Full-year resident

If you were a North Dakota resident for the entire tax year and you are required to file a federal individual income tax return, you must file a North Dakota individual income tax return. This applies even though you worked outside North Dakota (including employment overseas) during the tax year.

Resident military personnel. If you are a North Dakota resident serving in the U.S. Armed Forces, this resident filing requirement applies even though you were stationed outside North Dakota (including overseas duty) during the tax year.

Full-year nonresident

If you were a nonresident of North Dakota for the entire tax year, you must file a North Dakota individual income tax return if (1) you derived any gross income from North Dakota sources during the tax year and (2) you are required to file a federal individual income tax return. See **Nonresident alien** below for the filing requirements applicable to a nonresident alien.

Nonresident military personnel. If you are a nonresident of North Dakota serving in the U.S. Armed Forces and you are stationed in North Dakota, you do not have to file a North Dakota individual income tax return if your only gross income from North Dakota sources was compensation for military service.

Minnesota or Montana resident. If you are a Minnesota resident, you do not have to file a North Dakota individual income tax return if (1) your only gross income from North Dakota sources was compensation for personal or professional services and (2) you maintained a home in Minnesota that you returned to at once each month. If you are a Montana resident, you do not have to file a North Dakota individual income tax return if your only gross income from North Dakota sources was wages. (See also **Minnesota/Montana reciprocity** on page 3 of these instructions.)

Nonresident alien. If you are a nonresident alien of the United States who derived any gross income from North Dakota sources, you must file a North Dakota individual income tax return. Except where an income tax treaty between the United States and a foreign country specifically exempts income from state taxation, income tax treaties between the U.S. and foreign countries do not apply for North Dakota income tax purposes, and income otherwise exempted from U.S. income tax under those treaties may be taxable under North Dakota income tax law. Therefore, you may have to pay North Dakota income tax on income derived from North Dakota sources even though the income is exempt from U.S. income tax because of a treaty.

For instructions on how to complete a North Dakota income tax return in a nonresident alien situation, obtain the *Income Tax Guideline: Taxation of Nonresident Aliens* from the North Dakota Office of State Tax Commissioner (see back cover).

Gross income from North Dakota sources. For a nonresident, “gross income from North Dakota sources” includes (1) compensation for services performed in this State, e.g., wages, tips, commissions, and fees, (2) income from tangible property located in this State, e.g., rents,

royalties, and gain from sale or exchange of such property, (3) income from a trade or business carried on in this State, including interest, dividends, and gain from sale or exchange of intangible property received by the trade or business that are allocable and apportionable to this State, and (4) income from gambling activity carried on in this State.

Except for interest, dividends, and gain from sale or exchange of intangible property allocable and apportionable to this State by a trade or business, “gross income from North Dakota sources” for a nonresident does not include military pay, interest, dividends, pensions, annuities, gain from sale or exchange of intangible property, or compensation for services performed in this State by an individual who performs regularly assigned duties in more than one state for a railroad or other interstate motor carrier (as defined by Federal law in 49 U.S.C. 11504).

Individual who changed residence during tax year

If you changed your residence to or from North Dakota during the tax year, you must file a North Dakota individual income tax return if (1) you are required to file a federal individual income tax return **and** (2) you derived gross income from any source (inside or outside North Dakota) during the part of the tax year you were a resident of North Dakota **or** you derived gross income from North Dakota sources during the part of the tax year you were a nonresident of North Dakota.

Gross income from North Dakota sources. For an individual who changed residence to or from North Dakota during the tax year, “gross income from North Dakota sources” is defined the same as for a full-year nonresident.

Filing procedures for individuals who changed residence to North Dakota

If you changed your residence to North Dakota and you are required to file a North Dakota individual income tax return, you may prepare the North Dakota return in one of the following ways:

- **Resident method.** Check the “Resident” block at the top of the return. Complete the return according to the instructions for resident filers. Do not exclude any non-North Dakota income. After computing a tax on your entire income for the year, complete Schedule 4 to compute a credit for income tax paid to any other state or states. The credit is subtracted from the tax to determine your net tax liability for North Dakota purposes.
- **Nonresident method.** Check the “Nonresident” block at the top of the return. Complete Schedule NR (included in this booklet). Complete the return according to the instructions for nonresident filers.

Filing procedures for individuals who changed residence from North Dakota

If you changed your residence from North Dakota to another state and you are required to file a North Dakota individual income tax return, you must (1) check the “Nonresident” block at the top of the return, (2) complete Schedule NR (included in this booklet), and (3) complete the return according to the instructions for nonresident filers.

Native American exemption

If you are a Native American, you are not subject to North Dakota income tax if you (1) are an enrolled member of a tribe, (2) live on the Indian reservation where enrolled, and (3) derive all of your income from sources on the Indian reservation where enrolled.

If you are not enrolled with any tribe or do not live on the Indian reservation where enrolled, you are subject to North Dakota's income tax laws. Even though you do live on the Indian reservation where enrolled, you are subject to North Dakota income tax on income from non-reservation sources in North Dakota.

Estimated tax requirement

You must pay estimated North Dakota income tax (using Form 400-ES) for 1999 if **all** four of the following conditions apply:

1. You are required to pay estimated federal income tax for 1999;
2. Your net tax liability for 1998 is \$200 or greater (*If no return is required for 1998, your net tax liability is zero for this purpose, and no estimates are required for 1999*);
3. You expect to owe, after subtracting your North Dakota income tax withholding, at least \$200 in tax for 1999; **and**
4. You expect your North Dakota income tax withholding for 1999 to be less than the smaller of: (a) 90% of your 1999 net tax liability or (b) 100% of your 1998 net tax liability. *Exception to condition 4(b): If you changed residence to North Dakota during 1998, part (b) of condition 4 does not apply.*

The due dates for making payments of estimated North Dakota income tax are the same as those for making payments of estimated federal income tax. If you paid estimated North Dakota income tax for 1998, a 1999 North Dakota Form 400-ES will automatically be mailed to you in early 1999. If you did not pay estimated income tax for 1998, but you are required to do so for 1999, you must obtain the 1999 North Dakota Form 400-ES.

Amended returns

An amended return is filed to correct a previously filed return. Generally, you have three years after you file your original return to file an amended return to apply for a refund of an overpayment. Contact the Office of State Tax Commissioner for other time periods that may apply, such as in the case of a net operating loss carryback, a 25% overstatement of taxable income or tax liability, or an IRS audit.

If you file an amended federal return, or if the IRS makes any changes to your federal return, you must file an amended North Dakota return within 90 days after filing the amended federal return or within 90 days after the final determination of the changes made by the IRS. If you do not report such changes within 90 days, the time period for making an assessment will not expire.

How to prepare an amended return

If you need to file an amended return, do the following: **(1)** Obtain either Form 37-S or Form 37 for the appropriate tax year from the Office of State Tax Commissioner; **(2)** Check the "Amended return" block at the top of the return; **(3)** Enter your name, current address, social security number(s), etc., at the top of the return; **(4)** Using the correct information, complete the return through the net tax liability line; **(5)** Enter the net tax liability from your original return or, if your original net tax liability was previously adjusted by you or this office, the revised net tax liability in the block normally reserved for estimated tax payments; **(6)** Complete the remaining lines on the return according to the instructions; however, you cannot increase or decrease the amounts for

the contributions or the amount applied to next year's estimated tax; and, **(7)** Attach a copy of your amended federal return, IRS audit report, and other information necessary to support the numbers on your amended North Dakota return.

Minnesota/Montana reciprocity

North Dakota has income tax reciprocity agreements with the States of Minnesota and Montana.

North Dakota resident. If you are a North Dakota resident who (1) earned compensation for personal or professional services performed in Minnesota and returned to your home in North Dakota at least once per month or (2) earned wages for working in Montana, this income is exempt from that State's tax because of the reciprocity agreement. If your employer withheld Minnesota or Montana income tax from your wages that qualify for exemption under reciprocity, you may get a refund by filing a return with that State. For assistance and forms, write to the Minnesota Dept. of Revenue, Taxpayer Information Division, St. Paul, MN 55146-4450, or to the Montana Dept. of Revenue, Income Tax Division, Mitchell Bldg., Helena, MT 59604. **If your wages qualify for reciprocity treatment and you do not want your employer to withhold Minnesota or Montana tax from them, you must give your employer a properly completed Minnesota Form MW-R or Montana Form NR-2.**

Minnesota or Montana resident. If you are (1) a Minnesota resident who earned compensation for personal or professional services performed in North Dakota and returned to your home in Minnesota at least once per month or (2) a Montana resident who earned wages for working in North Dakota, this income is exempt from North Dakota tax because of the reciprocity agreement. If your employer withheld North Dakota income tax from your wages that qualify for exemption under reciprocity, you may get a refund by filing either Form 37-S or Form 37 and Schedule NR. **If your wages qualify for reciprocity treatment and you do not want your employer to withhold North Dakota tax from them, you must give your employer a properly completed Form NDW-R.**

Extension of time to file

You may obtain an extension of time to file your North Dakota individual income tax return by either obtaining a federal extension or applying for a North Dakota extension.

Federal extension. If you obtain an extension of time to file your federal return, it will be recognized for North Dakota purposes. This includes the automatic 2-month extension to June 15 allowed for being outside the U.S. on April 15. You must attach to your North Dakota return a copy of the federal extension form that you filed with the IRS or, in the case of the automatic 2-month extension, a copy of the same statement the IRS requires you to attach to your federal return.

North Dakota extension. If you didn't obtain a federal extension, you may apply for a North Dakota extension by completing and filing Form F-101. This is not an automatic extension — you must have good cause to request it. You must apply early enough to obtain approval prior to the due date of your return. You must attach a copy of the approved extension form to your return.

Whether you obtain a federal or state extension, you must check the "Extension form attached" box at the top of your return. Also, if there is tax due on your return, interest on the tax due is charged at the rate of 12% per year from the original due date of your return to the date the tax due is paid.

Which form to use —
Form 37-S or Form 37

North Dakota tax law provides individuals with two methods of computing their individual income tax. Whether a resident or nonresident of North Dakota, you may use either Form 37-S (Short Form) or Form 37 (Long Form). This booklet contains both forms.

To determine which form is best for you, calculate the tax on both forms and compare the respective net tax liabilities computed. File the form showing the smaller net tax liability. Over 90% of individual filers use Form 37-S because it generates the lowest tax for them.

Penalty and interest

By law, penalty and interest must be charged on a late payment of tax. The penalty is 5% of the late payment (with a minimum of \$5.00). In addition, interest on the late payment is charged at the rate of 1% per month or a fraction of a month (except for the month in which the tax was due) until the tax is paid.

General instructions
for Form 37-S and Form 37

- Specific instructions for Form 37-S — see page 5.
• Specific instructions for Form 37 — see page 6.

Name and address

If you are filing a fiscal year return, enter the fiscal period at the top of the return; otherwise, do not enter any dates. Please remove the preprinted address label from the cover of this booklet and place it in the address box area on the return. If you do not have the preprinted address label, print your full name and mailing address in the spaces provided on the return. If this is a joint return, also print the full name of your spouse.

Social security number (New for '98)

Starting in 1998, taxpayers' social security numbers are no longer printed on the preprinted address labels attached to the booklets. This change was made to protect taxpayers' privacy. Therefore, you must enter your social security number (and your spouse's social security number, if married) in the space(s) provided on the return.

Filing status

Your filing status (i.e., Single, Married filing joint, etc.) for North Dakota income tax purpose must be the same as the filing status you used on your federal income tax return.

Exception for married persons with different states of residence. Even though a joint federal return is filed, if one spouse is a resident of North Dakota and the other spouse is a nonresident of North Dakota, each spouse must file a separate North Dakota return and check the "Married filing separate" filing status. If this exception applies, you must obtain and complete Schedule SF before completing either Form 37-S or Form 37.

Filing category

If you were a resident of North Dakota for the entire tax year, check the "Resident" block. If you were not a resident of North Dakota for any part of the tax year, check the "Nonresident" block. If you changed residence to North Dakota during the tax year, see "Filing procedures for individu-

When and where to file

A return for calendar year 1998 must be filed on or before April 15, 1999. Taxpayers using a fiscal tax year must file on or before the 15th day of the fourth month following the close of the fiscal year. If the due date falls on a Saturday, Sunday or holiday, you have until the next business day to file. See page 3 if you need an extension of time to file. Mail your return in the preprinted envelope provided in this booklet. If you don't have a preprinted envelope, mail your return to:

Office of State Tax Commissioner
State Capitol
600 E. Boulevard Ave.
Bismarck, North Dakota 58505-0550

Where to get help

See the back cover of this booklet for telephone numbers and addresses where you can get forms and assistance with your tax questions. For your convenience we also provide information on where you can get help with your federal tax return.

als who changed residence to North Dakota" on page 2 of these instructions for information on which filing category to use. If you changed residence from North Dakota to another state during the tax year, check the "Nonresident" block.

Amended/Extension checkoffs

Do not check either of these blocks unless it applies to you. See "Amended returns" and "Extension of time to file" on page 3 of these instructions for more information.

School district code

North Dakota law requires each person who files a North Dakota individual income tax return to identify the school district in which he or she resided during the tax year. If you were a resident of North Dakota for part or all of the tax year, find your applicable school district code on the list on page 10 of these instructions and enter it on the return. If you were a nonresident of North Dakota for the entire tax year, enter 54-000.

Income source code

Using the following list, select the general work area that most appropriately describes the type of activity from which you derive the majority of your income. Enter the corresponding income source code for that general work area in the box provided on the return.

Table with 2 columns: 'If your general work area is:' and 'Your code is:'. Rows include Farming, retail, government service, education, services, construction, manufacturing, transportation, exploration, finance, military, and retirement.

1998 **Form 37-S (Short form)** instructions

Important—Before you attempt to complete Form 37-S, see "**Which form to use**" and "**General instructions for Form 37-S and Form 37**" on page 4 of these instructions.

Line 1. Enter your federal income tax liability from your federal income tax return as follows:

- If you used **Federal Form 1040EZ**, enter amount from line 10; or
- If you used **Federal Form 1040A**, enter amount from line 25; or
- If you used **Federal TeleFile Worksheet**, enter amount from line J (the "Tax" box); or
- If you used **Federal Form 1040**, enter the amount determined using the following table:

- | | | |
|----|---|-------|
| A. | Enter amount from line 40, Form 1040 | _____ |
| B. | Enter amount from line 53, Form 1040 | _____ |
| C. | If you were required to compute the federal section 72(m)(5) excess benefits tax (see instructions to line 56, Form 1040), enter that tax here; otherwise enter -0- | _____ |
| D. | Enter amount from line 51, Form 1040. If none, skip Line E and enter -0- on Line F | _____ |
| E. | Enter amount of investment credit, if any, included on line 47, Form 1040 | _____ |
| F. | Subtract Line E from Line D . If Line E is greater than Line D, enter -0- | _____ |
| G. | Add Lines A, B, C and F | _____ |
| H. | Enter amount of credit for prior year minimum tax included on line 47, Form 1040 | _____ |
| I. | Subtract Line H from Line G . If Line H is greater than Line G, enter -0-. Enter this amount on line 1, Form 37-S | ===== |

Line 3. Residents Only—Enter interest income from U.S. obligations and other federal securities exempt from state income tax under federal law. (See page 9) Also enter dividend income from a regulated investment company (mutual fund) to the extent attributable to the mutual fund's investment in the same kinds of securities. Unless you have identified the specific securities, or identified the mutual fund and the percentage of income it derived from qualifying securities, on the appropriate schedule of your federal income tax return (and attach the schedule to your North Dakota return), you must attach a schedule showing this information. In the case of a mutual fund, you can satisfy this identification requirement by attaching a copy of the year-end statement you receive from the mutual fund or your broker, provided it shows the required information.

Line 4. Nonresidents Only—If you checked the "Nonresident" block at the top of Form 37-S, you must complete Schedule NR (included in this booklet) to determine the amount to enter on this line. **It is important that you read the instructions at the bottom of Schedule NR before you make any entry on this line. Schedule NR must be attached to Form 37-S.**

Line 5. Enter the following items *only*:

- Income earned by a Native American while living and working on the Indian reservation where enrolled. (See page 3)
- Payments received from the U.S. Railroad Retirement Board which are included in federal adjusted gross income. **Attach a copy of Federal Form RRB-1099, RRB-1099-R, or both.**

- Amount of income or loss from a pass-through entity subject to the North Dakota financial institution tax. For details, obtain the *Income Tax Guideline: Adjustment For Income (Loss) From S Corporation, Partnership or LLC Subject To N.D.C.C. ch. 57-35.3*. **Attach a copy of the statement from the corporation to substantiate the adjustment.**

Line 11. Residents Only—If you pay income tax to another state (including the District of Columbia) or a territory of the United States, you may be eligible for a credit for the tax paid. See Schedule 4 (included in this booklet) for more information.

If you paid qualified care expenses for a qualifying family member to prevent the placement of the family member in a long-term care facility, you may be eligible for a credit. Obtain Schedule FC for more information.

Line 17. If the amount on line 16 is \$5.00 or more, enter the amount, if any, of your overpayment that you want applied to your 1999 estimated tax. You may elect to have this amount applied to an estimated tax installment other than the first installment for 1999 by attaching a statement on which you (1) state that you are making this election and (2) specify the particular installment to which you want the amount applied. Once you apply an overpayment to your 1999 estimated tax, it can only be claimed as a credit on your 1999 return.

Lines 18 and 19. If the amount on line 16 is \$5.00 or more, you may make a voluntary contribution of part or all of your overpayment to the Nongame Wildlife Fund and/or the Centennial Tree Trust Fund by entering on the appropriate line the amount you wish to contribute. A contribution must be at least \$1.00 and will reduce the amount of the overpayment refunded to you.

Lines 22 and 23. If the amount on line 21 is \$5.00 or more, you may make a voluntary contribution to the Nongame Wildlife Fund and/or the Centennial Tree Trust Fund by entering on the appropriate line the amount you wish to contribute. A contribution must be at least \$1.00 and will increase your balance due on line 24.

Line 24. The balance due (including any amount from line 25) must be paid in full when the return is filed. Payment should be made by check or money order payable to the "**State Tax Commissioner.**" Do not send cash or stamps. If the amount on line 21 is \$5.00 or more and you chose to make a contribution to the Nongame Wildlife Fund (on line 22) and/or the Centennial Tree Trust Fund (on line 23), you must pay the balance due in full to get credit for your contribution(s).

Penalty and interest provisions—By law, penalty and interest must be charged on a late payment of tax. The penalty is 5% of the late payment (with a minimum of \$5.00). In addition, interest on the late payment is charged at the rate of 1% per month or a fraction of a month (except for the month in which the tax was due) until the tax is paid.

Line 25. Interest is charged for underpayment of estimated North Dakota income tax. To determine if you owe interest for 1998, obtain and complete Form 400-UT. Enter on this line the amount, if any, from line 17, Form 400-UT. Any amount on this line will reduce your overpayment on line 16 or will increase your balance due on line 24. If there is no overpayment or balance due on your return and if the amount on line 17 of Form 400-UT is at least \$5.00, enclose a check or money order for this amount with your return.

General instructions for Form 37

Important — Before you attempt to complete Form 37, see "**Which form to use**" and "**General instructions for Form 37-S and Form 37**" on page 4 of these instructions.

How to complete Form 37

Step 1: Complete the top portion of Form 37 as instructed on page 4 of these instructions.

Step 2: Calculate your North Dakota taxable income using the appropriate schedule as follows:

Schedule 2 (Resident filer)

If you checked the "Resident" block under **Filing category** at the top of Form 37, you must complete Schedule 2 (on the reverse side of Form 37). The instructions for Schedule 2 are shown below.

Schedule 3 (Nonresident filer)

If you checked the "Nonresident" block under **Filing category** at the top of Form 37, you must complete Schedule 3 (which is a separate schedule included in this booklet). The instructions for Schedule 3 are on the back of the schedule.

Note: Before completing Schedule 3, you must complete Schedule NR (which is a separate schedule included in this booklet) to calculate the amounts to enter on lines 1A and 1B of Schedule 3.

Step 3: Complete the Tax Computation Schedule on the front of Form 37. The instructions to this schedule are found on page 8 of these instructions.

Specific line instructions for Schedule 2

Line 2. Except for interest from obligations of the State of North Dakota and its political subdivisions, enter interest income on state and local government obligations which is exempt from federal income tax.

Line 3. If a portion of your itemized deductions was disallowed because your federal adjusted gross income exceeded \$124,500 (\$62,250 if married filing separately), complete the following worksheet to determine the amount to enter on this line:

1. Amount of state and local taxes from line 5, Schedule A (Form 1040)
2. Amount from line 3 of Federal Itemized Deductions Worksheet in Form 1040 instructions
3. Divide line 1 by line 2 (round to two decimal places)
4. Amount from line 9 of Federal Itemized Deductions Worksheet in Form 1040 instructions
5. Multiply line 4 by line 3
6. Line 1 minus line 5. Enter this amount on line 3, Schedule 2

Line 4. If you received a lump-sum distribution from a qualified retirement plan and elected to report the income on Federal Form 4972, you must enter the amount of this income on this line.

Enter the amount of loss from a pass-through entity subject to the North Dakota financial institution tax. For details, obtain the *Income Tax Guideline: Adjustment For Income (Loss) From S Corporation, Partnership or LLC Subject To N.D.C.C. ch. 57-35.3*. **Attach a copy of the statement from the corporation to substantiate the adjustment.**

Line 7. Enter interest income from U.S. obligations and other federal securities exempt from state income tax under federal law. (See page 9)

Also enter dividend income from a regulated investment company (mutual fund) to the extent attributable to the mutual fund's investment in the same kinds of securities. Unless you have identified the specific securities, or identified the mutual fund and the percentage of income it derived from qualifying securities, on the appropriate schedule of your federal income tax return (and attach the schedule to your North Dakota return), you must attach a schedule showing this information. In the case of a mutual fund, you can satisfy this identification requirement by attaching a copy of the year-end statement you receive from the mutual fund or your broker, provided it shows the required information.

Military Exclusions (Lines 8, 9 and 10)

The exclusions on lines 8, 9, and 10 below are allowed to the extent the compensation or retirement pay is included in federal taxable income (on line 1 of Schedule 2). In addition, the total of lines 8 and 9 may not exceed the total active duty military compensation received.

Line 8. Enter up to \$1,000 of compensation received for active duty service in the U.S. Armed Forces, or up to \$1,000 of compensation received for attending periodic training for drill and instruction as a member of the National Guard or of a reserve unit of the U.S. Armed Forces.

Line 9. If you were stationed outside the United States (including the District of Columbia) for at least 30 days, enter up to \$300 of compensation received for active duty service in the U.S. Armed Forces for each month (or fraction of a month) you were stationed outside the United States during the year. Field grade and general officers—which means those with a rank of major or higher in the U.S. Army, Air Force, or Marines; or lieutenant commander or higher in the U.S. Navy; or surgeon or higher in the U.S. Public Health Service—are not eligible for this exclusion.

Line 10. If you receive military retirement benefits for service in the U.S. Armed Forces (including the Coast Guard), or any of its reserve components, and you are at least 50 years old, enter the lesser of (1) the total amount of taxable military retirement benefits reduced by any social security benefits received or (2) \$5,000 reduced by any social security benefits received.

Line 11. If you receive retirement benefits from the Federal Government, the North Dakota city firemen's relief associations, the North Dakota city policemen's pension funds, or the North Dakota highway patrolmen's retirement system, enter the lesser of (1) the total amount of taxable retirement benefits reduced by any social security benefits received or (2) \$5,000 reduced by any social security benefits received.

Beginning Farmer Deductions (Lines 12, 13 and 14)

You may qualify for certain deductions if you sell or lease farmland to a qualifying beginning farmer. To determine if you qualify, obtain the Beginning Farmer Income Tax Deductions guideline from the Office of State Tax Commissioner. If you qualify, a Beginning Farmer Statement must also be obtained, completed and attached to your North Dakota return.

Line 12. Enter interest income derived from a qualifying contract for deed for the sale of 80 or more acres of farmland to a qualifying beginning farmer.

Line 13. Enter net rental income derived from a qualifying contract for the lease of 20 or more acres of farmland to a qualifying beginning farmer. This deduction may not exceed \$25,000.

Line 14. Enter the gain from the sale of 20 or more acres of farmland to a qualifying beginning farmer.

Line 15. Enter interest income received from a financial institution located in North Dakota. This deduction is limited to \$300 (\$600 if married filing a joint return).

Beginning Businessman Deductions (Lines 16, 17 and 18)

You may qualify for certain deductions if you sell or lease a revenue-producing enterprise to a qualifying beginning businessman. To determine if you qualify, obtain the Beginning Businessman Income Tax Deductions guideline from the Office of State Tax Commissioner. If you qualify, a Beginning Businessman Statement must also be obtained, completed and attached to your North Dakota return.

Line 16. Enter interest income derived from a qualifying contract for deed for the sale of a revenue-producing enterprise to a qualifying beginning businessman.

Line 17. Enter net rental income derived from a qualifying contract for the lease of a revenue-producing enterprise to a qualifying beginning businessman. This deduction may not exceed \$25,000.

Line 18. Enter the gain from the sale of a revenue-producing enterprise to a qualifying beginning businessman.

Line 19. Enter dividends, up to a maximum of \$15,000, from a corporation which has paid North Dakota income tax under N.D.C.C. ch. 57-38 or North Dakota financial institution tax under N.D.C.C. ch. 57-35.3. If the corporation does not conduct 100% of its business in North Dakota, the amount otherwise allowed must be multiplied by the percentage of business conducted in North Dakota to determine the amount to enter on this line. The percentage of business conducted in North Dakota is equal to the corporation's apportionment factor reported on the corporation's North Dakota tax return. Contact the corporation to obtain this information.

Line 20. Enter the amount of the investment in a venture capital corporation. This deduction is limited to \$5,000 for any person or \$10,000 if a joint return is filed. **Attach a copy of the Venture Capital Corporation Investment Reporting Form.**

Line 23. Enter the following items *only*:

- Income earned by a Native American while living and working on an Indian reservation where enrolled. See **Native American exemption** on page 3 of these instructions.
- Payments from the U.S. Railroad Retirement Board which are included in Federal adjusted gross income. **Attach copy of Federal Form RRB-1099, RRB-1099-R, or both.**
- \$1,000 for adopting a child under the age of 21, provided the child qualifies as a dependent on your federal income tax return and the adoption became final this year.
- Up to \$1,000 of the costs of adopting a child under the age of 21 who is mentally retarded, or is blind or disabled as determined under Title XVI of U.S. Social Security Act, provided the child qualifies as a dependent on your federal income tax return and the adoption became final this year.
- \$750 for each adopted child under the age of 21 who is mentally retarded, or is blind or disabled as determined under Title XVI of U.S. Social Security Act, provided the child qualifies as a dependent on your federal income tax return.
- Gain recognized on the sale of property due to the exercise of eminent domain.
- Net income exempt from income tax under N.D.C.C. ch. 40-57.1.
- Gain exempt from income tax under N.D.C.C. § 57-38-01.18.
- Amount of income from a pass-through entity subject to the North Dakota financial institution tax. For details, obtain the *Income Tax Guideline: Adjustment For Income (Loss) From S Corporation, Partnership or LLC Subject To N.D.C.C. ch. 57-35.3*. **Attach a copy of the statement from the corporation to substantiate the adjustment.**
- State and local income tax refunds reported as income on your 1998 federal income tax return, provided you filed a Form 37 (Long Form) for the year in which you (1) paid and deducted the state and local income taxes on your federal return and (2) added the state and local income taxes back into your income for North Dakota purposes.

Do not enter on line 23 income derived from out-of-state sources.

Line 26. Enter the federal income tax as follows:

- If you used **Form 1040EZ**, enter line 10 **less** line 8a; or
- If you used **Form 1040A**, enter line 32 **less** lines 37a and 38; or
- If you used **Form 1040**, enter line 49 **plus** line 46 **plus** line 53 **plus** any Section 72(m)(5) excess benefits tax and recapture taxes included on line 56 **less** lines 59a and 60; or
- If you used **TeleFile Worksheet**, enter amount from line J (the "Tax" box) **less** line K.

Line 28. Enter the total of lines 7 through 19 plus line 23; however, do not include any of the adjustments for adopted children or the deduction for state and local income tax refunds claimed on line 23.

Specific line instructions for Tax Computation Schedule (Form 37)

Line 3. Residents Only—If you pay income tax to another state (including the District of Columbia) or a territory of the United States, you may be eligible for a credit for the tax paid. See Schedule 4 (included in this booklet) for more information.

Lines 4 and 5. If you made a charitable contribution to a qualifying nonprofit private institution of secondary or higher education, you may qualify for a credit. See the list of qualifying institutions below. Qualifying contributions may be made up to the due date or extended due date of your North Dakota return. The credit allowed for all contributions made to all qualifying institutions in *each* category of institution is equal to the lesser of (1) 50% of the contributions, (2) 40% of the tax on line 2, or (3) \$250. Enter the credit computed on the appropriate line. **Attach a copy of a receipt or a canceled check (front and back).**

Higher Education

- | | |
|--|---|
| 1. University of Mary,
Bismarck, ND | 3. Trinity Bible College,
Ellendale, ND |
| 2. Jamestown College,
Jamestown, ND | 4. North Dakota Independent
College Fund |

Secondary Education

- | | |
|--|--|
| 1. St. Mary's Central High School,
Bismarck, ND | 7. Dakota Center School,
Minot, ND |
| 2. Dickinson Trinity High School,
Dickinson, ND | 8. Shiloh Christian School,
Bismarck, ND |
| 3. Shanley High School,
Fargo, ND | 9. Dakota Adventist Academy,
Bismarck, ND |
| 4. Oak Grove Lutheran High School,
Fargo, ND | 10. Johnson Corners Christian Academy,
Watford City, ND |
| 5. Our Redeemer's Christian,
Minot, ND | 11. Anne Carlsen School
Jamestown, ND |
| 6. Bishop Ryan High School,
Minot, ND | |

Line 6. If you paid premiums on a long-term care insurance policy covering yourself, or your spouse, child, parent or stepparent, you are eligible for a credit. Enter 25% of the premiums paid during the year for the policy, up to a maximum credit determined by multiplying \$100 by the number of qualifying persons covered by the policy. **Attach a statement showing the policy number, the name of insurance company, and the amount of premiums paid during the year.**

Line 7. You may qualify for a credit if you installed a qualifying geothermal, solar, or wind energy device on property you own in North Dakota. Contact the Office of State Tax Commissioner for additional information on qualifications and the computation of the credit. **Attach a statement containing a description of the device, a detailed list of the costs of acquisition and installation, and the date the device was completely installed.**

If you paid wages to a developmentally disabled or chronically mentally ill employee, enter 5% of the first \$6,000 of wages paid during the first twelve months of employment for each qualified employee. The credit is limited to 50% of the tax on line 2. Only wages actually paid during the year may be considered. **Attach a statement showing the name, social security number, and wages for each qualifying employee.**

If you paid qualified care expenses for a qualifying family member to prevent the placement of the family member in a long-term care facility, you may qualify for a credit. Obtain Schedule FC for more information.

Line 8. Enter the amount of the credit allowed for investment in a venture capital corporation under N.D.C.C. ch. 10-30.1. See the investment reporting form provided to you by the corporation for how to compute the

credit. **Attach a copy of the Venture Capital Corporation Investment Reporting Form.**

Line 9. Enter the amount of the credit allowed for investment in the North Dakota Small Business Investment Company (SBIC) under N.D.C.C. ch. 10-30.2. See the investment reporting form provided to you by the SBIC for how to compute the credit. **Attach a copy of the North Dakota SBIC Investment Reporting Form.**

Line 10. Enter the amount of the credit allowed for investment in a certified nonprofit development corporation under N.D.C.C. § 10-33-124. See the investment reporting form provided to you by the corporation for how to compute the credit. **Attach a copy of the Certified Nonprofit Development Corporation Investment Reporting Form.**

Line 11. Enter the amount of the credit allowed for investment in a business certified by the Director of Economic Development and Finance as a qualifying business for the seed capital investment credit under N.D.C.C. ch. 57-38.5. See the investment reporting form provided to you by the qualifying business for how to compute the credit. **Attach a copy of the Seed Capital Investment Reporting Form.**

Line 17. If the amount on line 16 is \$5.00 or more, enter the amount, if any, of your overpayment that you want applied to your 1999 estimated tax. You may elect to have this amount applied to an estimated tax installment other than the first installment for 1999 by attaching a statement on which you (1) state that you are making this election and (2) specify the particular installment to which you want the amount applied. Once you apply an overpayment to your 1999 estimated tax, it can only be claimed as a credit on your 1999 return.

Lines 18 and 19. If the amount on line 16 is \$5.00 or more, you may make a voluntary contribution of part or all of your overpayment to the Nongame Wildlife Fund and/or the Centennial Tree Trust Fund by entering on the appropriate line the amount you wish to contribute. Please note that any contribution must be at least \$1.00 and that the contribution will reduce your refund.

Lines 22 and 23. If the amount on line 21 is \$5.00 or more, you may make a voluntary contribution to the Nongame Wildlife Fund and/or the Centennial Tree Trust Fund by entering on the appropriate line the amount you wish to contribute. Please note that any contribution must be at least \$1.00 and that the contribution will increase your balance due.

Line 24. The balance due (including any amount from line 25) must be paid in full when the return is filed. Payment should be made by check or money order payable to the **"State Tax Commissioner."** Do not send cash or stamps. If the amount on line 21 is \$5.00 or more and you chose to make a contribution to the Nongame Wildlife Fund (on line 22) and/or the Centennial Tree Trust Fund (on line 23), you must pay the balance due in full to get credit for your contribution(s).

Penalty and interest provisions — By law, penalty and interest must be charged on a late payment of tax. The penalty is 5% of the late payment (with a minimum of \$5.00). In addition, interest on the late payment is charged at the rate of 1% per month or a fraction of a month (except the month in which the tax was due) until the tax is paid.

Line 25. Interest is charged for underpayment of estimated North Dakota income tax. To determine if you owe interest for 1998, obtain and complete Form 400-UT. Enter on this line the amount, if any, from line 17, Form 400-UT. Any amount entered on this line will reduce your overpayment on line 16 or will increase your balance due on line 24. If there is no overpayment or balance due on your return and the amount on line 17 of Form 400-UT is at least \$5.00, enclose a check or money order for this amount with your return.

**Sources Of Exempt And Nonexempt Interest Income
For Purposes Of The Adjustment For Interest From U.S. Obligations
On Line 3, Form 37-S and Line 7, Schedule 2, Form 37**

Important

This list is dependent upon federal law and, in some cases, an interpretation of federal law, and is therefore subject to change. This list is not all-inclusive. If you have a question about other sources of interest income, you may write to the Office of State Tax Commissioner for assistance.

Interest income from the following sources is exempt from North Dakota income tax by reason of federal statute and, to the extent included in federal adjusted gross income, may be entered on Line 3, Form 37-S or Line 7, Schedule 2, Form 37:

Banks for Cooperatives	General Insurance Fund (Dept. of HUD)
Commodity Credit Corporation	Production Credit Associations
Federal Deposit Insurance Corporation	Student Loan Marketing Association
Federal Farm Credit System	Tennessee Valley Authority
Federal Home Loan Banks	U.S. Postal Service
Federal Intermediate Credit Banks	U.S. Savings Bonds
Federal Land Banks	U.S. Treasury Bills
Federal Savings and Loan Insurance Corporations	U.S. Treasury Notes

Interest income from the following sources is NOT exempt from North Dakota income tax because federal law does not specifically exempt the interest income from state taxation or the Federal Government is not primarily obligated to pay the interest:

Asian Development Bank	Government National Mortgage Association
Building and Loan Associations	(Ginnie Mae)
Environmental Financing Authority	Inter-American Development Bank Bonds
Federal Home Loan Mortgage Corporation	International Monetary Fund and Bank for
Federal National Mortgage Association	Reconstruction and Development (World
(Fannie Mae)	Bank)
Federal or State Savings and Loan Association	Jonathan Development Corporation
	R.F.K. Stadium Bonds

Interest received in the following instances is NOT exempt:

- On refunds of federal income taxes
- On refunds of state or local income taxes
- Under repurchase agreements

School district codes

North Dakota law requires that the individual income tax form allow for the identification of the school district in which an individual resides. A five-digit number has been assigned to each school district. Find the number opposite the school district in which you reside and enter it in the school district code box on your return.

Nonresident filer: If you were a nonresident of North Dakota for the entire year, use the number 54-000.

School District	School District	Code	School District	School District	Code	School District	School District	Code			
Address	District	No.	Address	District	No.	Address	District	No.			
Adams	ND	Adams 128	50-128	Hague	ND	Bakker 10	15-010	Oriska	ND	Oriska 13	02-013
Alexander	ND	Alexander 2	27-002	Halliday	ND	Halliday 19	13-019	Osnabrock	ND	Osnabrock 1	10-001
Almont	ND	Sims 8	30-008			Twin Buttes 37	13-037	Page	ND	Page 80	09-080
Amidon	ND	Central Elem. 32	44-032	Hankinson	ND	Hankinson 8	39-008	Park River	ND	Park River 78	50-078
Anamoose	ND	Anamoose 14	25-014	Harvey	ND	Harvey 38	52-038	Parshall	ND	Parshall 3	31-003
Argusville	ND	Northern Cass 97	09-097	Hatton	ND	Hatton 7	49-007	Pembina	ND	Pembina 1	34-001
Ashley	ND	Ashley 9	26-009	Hazelton	ND	Haz-Mof-Brad 6	15-006	Pettibone	ND	Pettibone-Tuttle 11	22-011
Baldwin	ND	Baldwin 29	08-029	Hazen	ND	Hazen 3	29-003	Pingree	ND	Pingree Buchanan 10	47-010
Beach	ND	Beach 3	17-003	Hebron	ND	Hebron 13	30-013	Plaza	ND	Plaza 137	31-137
Belcourt	ND	Belcourt 7	40-007	Hettinger	ND	Hettinger 13	01-013	Pollock	SD	Union 12	15-012
Belfield	ND	Belfield 13	45-013	Hillsboro	ND	Hillsboro 9	49-009	Powers Lake	ND	Powers Lake 27	07-027
Berthold	ND	Berthold 54	51-054	Hoople	ND	Valley 12	34-012	Ray	ND	Nesson 2	53-002
Beulah	ND	Beulah 27	29-027	Hope	ND	Hope 10	46-010	Reeder	ND	Reeder 3	01-003
Binford	ND	Midkota 7	20-007	Hurdsfield	ND	Pleasant Valley 35	52-035	Regan	ND	Regan 2	08-002
Bisbee	ND	Bisbee-Egeland 2	48-002	Inkster	ND	Midway 128	18-128	Regent	ND	Regent 14	21-014
Bismarck	ND	Bismarck 1	08-001	Jamestown	ND	Jamestown 1	47-001	Rhame	ND	Rhame 17	06-017
		Naughton 25	08-025	Kenmare	ND	Kenmare 28	51-028	Richardton	ND	Richardton 4	45-004
		Apple Creek 39	08-039	Kensal	ND	Kensal 19	47-019	Robinson	ND	Robinson 14	22-014
		Manning 45	08-045	Killdeer	ND	Killdeer 16	13-016	Rock Lake	ND	N Central 28	48-028
Bottineau	ND	Bottineau 1	05-001	Kindred	ND	Kindred 2	09-002	Rogers	ND	N Central 65	02-065
Bowbells	ND	Bowbells 14	07-014	Kulm	ND	Kulm 7	23-007	Rolette	ND	Rolette 29	40-029
Bowdon	ND	Bowdon 23	52-023	Lakota	ND	Lakota 66	32-066	Rolla	ND	Mt. Pleasant 4	40-004
Bowman	ND	Bowman 1	06-001	Langdon	ND	Langdon 23	10-023	Roseglen	ND	White Shield 85	28-085
		Sheets 14	44-014	Lankin	ND	Lankin 39	50-039	Rugby	ND	Rugby 5	35-005
Butte	ND	Butte 62	28-062	Lansford	ND	Lansford 35	05-035	Sawyer	ND	Sawyer 16	51-016
Buxton	ND	Central Valley 3	49-003	Larimore	ND	Larimore 44	18-044	Scranton	ND	Scranton 33	06-033
Calvin	ND	Border Central 14	10-014	LaMoure	ND	LaMoure 8	23-008	Selfridge	ND	Selfridge 8	43-008
Cando	ND	Southern 8	48-008	Leeds	ND	Leeds 6	03-006	Sheldon	ND	Sheldon 2	37-002
Carrington	ND	Carrington 10	16-010	Lidgerwood	ND	Lidgerwood 28	39-028	Sherwood	ND	Sherwood 2	38-002
Carson	ND	Roosevelt 18	19-018	Lignite	ND	Burke Central 36	07-036	Shenandoe	ND	Shenandoe 12	14-012
Cartwright	ND	Horse Creek 32	27-032	Linton	ND	Linton 36	15-036	Sidney	MT	Earl 18	27-018
Casselton	ND	Central Cass 17	09-017	Lisbon	ND	Lisbon 19	37-019			Bowline Butte 19	27-019
Cavalier	ND	Cavalier 6	34-006	Litchville	ND	Litchville 52	02-052	Solen	ND	Solen 3	43-003
Center	ND	Center 18	33-018	Maddock	ND	Maddock 9	03-009	South Heart	ND	South Heart 9	45-009
Colfax	ND	Richland 44	39-044	Makoti	ND	N Shore 158	51-158	Spiritwood	ND	Spiritwood 26	47-026
Cooperstown	ND	Griggs County		Mandan	ND	Mandan 1	30-001	St. Anthony	ND	Little Heart 4	30-004
		Central 18	20-018			Sweet Briar 17	30-017	St. John	ND	St. John 3	40-003
Crosby	ND	Divide County 1	12-001	Mandaree	ND	Mandaree 36	27-036	St. Thomas	ND	St. Thomas 43	34-043
Des Lacs	ND	United 7	51-007	Mantador	ND	Mantador 5	39-005	Stanley	ND	Stanley 2	31-002
Devils Lake	ND	Devils Lake 1	36-001	Manvel	ND	Manvel 125	18-125	Stanton	ND	Stanton 22	29-022
Dickinson	ND	Dickinson 1	45-001	Mapleton	ND	Mapleton 7	09-007	Starkweather	ND	Starkweather 44	36-044
Dodge	ND	Dodge 8	13-008	Marion	ND	Marion 9	23-009	Steele	ND	Steele-Dawson 26	22-026
Drake	ND	Drake 57	25-057	Marmarth	ND	Marmarth 12	44-012	Sterling	ND	Sterling 35	08-035
Drayton	ND	Drayton 19	34-019	Max	ND	Max 50	28-050	Strasburg	ND	Strasburg 15	15-015
Driscoll	ND	Driscoll 36	08-036	Mayville	ND	May Port CG 14	49-014	Surrey	ND	Surrey 41	51-041
Dunseith	ND	Dunseith 1	40-001	McClusky	ND	McClusky 19	42-019	Sykeston	ND	Sykes 39	52-039
Edgeley	ND	Edgeley 3	23-003	McKenzie	ND	McKenzie 34	08-034	Tappen	ND	Tappen 28	22-028
Edinburg	ND	Edinburg 106	50-106	McLeod	ND	Salund 10	37-010	Taylor	ND	Taylor 3	45-003
Edmore	ND	Edmore 2	36-002	McVile	ND	Dakota Prairie 1	32-001	Thompson	ND	Thompson 61	18-061
Elgin	ND	Elgin-New Leipzig 49	19-049	Medina	ND	Medina 3	47-003	Tioga	ND	Tioga 15	53-015
Ellendale	ND	Ellendale 40	11-040	Medora	ND	Billings Co. 1	04-001	Tower City	ND	Maple Valley 4	09-004
Emerado	ND	Emerado 127	18-127	Menoken	ND	Menoken 33	08-033	Towner	ND	Newport 4	25-004
Enderlin	ND	Enderlin 22	37-022	Milnor	ND	Milnor 2	41-002	Trenton	ND	Eight Mile 6	53-006
Fairmount	ND	Fairmount 18	39-018	Milton	ND	Milton 30	10-030	Turtle Lake	ND	Turtle Lake Mercer 72	28-072
Fairview	MT	Yellowstone 14	27-014	Minnewaukan	ND	Minnewaukan 5	03-005	Tuttle	ND	Tuttle-Pettibone 20	22-020
Fargo	ND	Fargo 1	09-001	Minot	ND	Minot 1	51-001	Underwood	ND	Underwood 8	28-008
Fessenden	ND	Fessenden 40	52-040			Nedrose 4	51-004	Upham	ND	Upham 29	25-029
Finley	ND	Finley Sharon 19	46-019			Bell 10	51-010	Valley City	ND	Valley City 2	02-002
Flasher	ND	Flasher 39	30-039			Eureka 19	51-019	Velva	ND	Velva 1	25-001
Fordville	ND	Fordville 79	50-079			S Prairie 70	51-070	Verona	ND	Verona 11	23-011
Forman	ND	Sargent Central 6	41-006			Air Force Base 160	51-160	Wahpeton	ND	Wahpeton 37	39-037
Ft. Ransom	ND	Ft. Ransom 6	37-006	Minto	ND	Minto 20	50-020	Walhalla	ND	Walhalla 27	34-027
Ft. Totten	ND	Ft. Totten 30	03-030	Mohall	ND	Mohall 9	38-009	Warwick	ND	Warwick 29	03-029
Ft. Yates	ND	Ft. Yates 4	43-004	Montpelier	ND	Montpelier 14	47-014	Washburn	ND	Washburn 4	28-004
Gackle	ND	Gackle-Streeter 56	24-056	Mott	ND	Mott 6	21-006	Watford City	ND	McKenzie Co 1	27-001
Garrison	ND	Garrison 51	28-051	Munich	ND	Munich 19	10-019	West Fargo	ND	West Fargo 6	09-006
Glen Ullin	ND	Glen Ullin 48	30-048	Napoleon	ND	Napoleon 2	24-002	Westhope	ND	Westhope 17	05-017
Glenburn	ND	Glenburn 26	38-026	Nash	ND	Nash 51	50-051	Wildrose	ND	Wildrose-Alamo 91	53-091
Golden Valley	ND	Golden Valley 20	29-020	Neche	ND	Neche 55	34-055	Williston	ND	Williston 1	53-001
Golva	ND	Lone Tree 6	17-006	New England	ND	New England 9	21-009			New 8	53-008
Goodrich	ND	Goodrich 16	42-016	New Rockford	ND	New Rockford 1	14-001	Willow City	ND	Willow City 13	05-013
Grafton	ND	Grafton 3	50-003	New Salem	ND	New Salem 7	30-007	Wilton	ND	Montefiore 1	28-001
Grand Forks	ND	Grand Forks 1	18-001	New Town	ND	New Town 1	31-001	Wimbledon	ND	Wimbledon CT 82	02-082
		Air Force Base 140	18-140	Newburg	ND	Newburg United 54	05-054	Wing	ND	Wing 28	08-028
Granville	ND	Granville 25	25-025	Northwood	ND	Northwood 129	18-129	Wishek	ND	Wishek 19	26-019
Grenora	ND	Grenora 99	53-099	Oakes	ND	Oakes 41	11-041	Wolford	ND	Wolford 1	35-001
Gwinner	ND	N Sargent 3	41-003	Oberon	ND	Oberon 16	03-016	Wyndmere	ND	Wyndmere 42	39-042
								Zeeland	ND	Zeeland 4	26-004

North Dakota — Schedule NR — Nonresident Filers

Schedule For Allocating Nonresident's Income (Losses) To North Dakota

- All nonresident filers must complete this schedule before completing either Form 37-S or Form 37
- Attach this schedule to either Form 37-S or Form 37
- See instructions on other side of this schedule

➤ If you changed your residence to or from North Dakota during 1998, enter the dates you were a resident of North Dakota:

From _____ To _____

Complete Column A first by entering amounts from federal return. Then complete Column B according to instructions. Complete Column C last by entering difference between Columns A and B.

	COLUMN A Amounts from federal return	COLUMN B North Dakota income (loss)	COLUMN C Other state(s) income (loss)
1. Wages, salaries, tips, etc.	1		
2. Taxable interest (Schedule B, if required)	2		
3. Dividend income (Schedule B, if required)	3		
4. Taxable refunds, credits, or offsets of state and local income taxes	4		
5. Alimony received	5		
6. Business income or (loss) (Schedule C or C-EZ)	6		
7. Capital gain or (loss) (Schedule D)	7		
8. Other gains or (losses) (Form 4797)	8		
9. Taxable amount of IRA distributions	9		
10. Taxable amount of pensions and annuities	10		
11. Rental real estate, royalties, partnerships, S corporations, estates, trusts, etc. (Schedule E)	11		
12. Farm income or (loss) (Schedule F)	12		
13. Unemployment compensation	13		
14. Taxable amount of social security benefits	14		
15. Other income	15		
16. Total income (Add lines 1 through 15)	16		
17. IRA deduction	17		
18. Student loan interest deduction	18		
19. Medical savings account deduction (Form 8853)	19		
20. Moving expenses (Form 3903 or 3903-F)	20		
21. One-half of self-employment tax (Schedule SE)	21		
22. Self-employed health insurance deduction	22		
23. Keogh and self-employed SEP and SIMPLE plans	23		
24. Penalty on early withdrawal of savings	24		
25. Alimony paid	25		
26. Total adjustments (Add lines 17 through 25)	26		
27. Adjusted gross income (Line 16 less line 26)	27		

Enter information from this schedule on your return as follows:

• Form 37-S (Short form) filers

If you are filing Form 37-S, enter the amount from line 27, Column C of this schedule on line 4 of Form 37-S. (See exception below for certain nonresident filers.)

Exception for certain nonresident filers. Do not enter the amount from line 27, Column C of this schedule on line 4 of Form 37-S if both of the following apply: **1.** The amount on line 27, Column C of this schedule is less than zero; and, **2.** The amount on line 27, Column B of this schedule is greater than zero. If both of these conditions apply, you must contact the Office of State Tax Commissioner to obtain Schedule 7 which must be completed to determine the amounts to enter on Form 37-S.

• Form 37 (Long form) filers

If you are filing Form 37:

1. Enter the amount from line 27, Column A of this schedule on line 1A of Schedule 3 (Form 37); and,
2. Enter the amount from line 27, Column B of this schedule on line 1B of Schedule 3 (Form 37).

1998 **Schedule NR** instructions

Who must complete

This schedule must be completed by all nonresident filers and must be attached to either Form 37-S or Form 37. You are a nonresident filer if:

- You were a nonresident of North Dakota for all of the year; **or**
- You changed residence from North Dakota to another state during the year; **or**
- You changed residence to North Dakota during the year and elect to complete the North Dakota return using the nonresident method of filing.

How to complete this schedule

Complete Column A first by filling in the total amounts from your federal income tax return. Complete Column B next according to the specific line instructions that follow. Complete Column C last by filling in the difference between Columns A and B.

Specific line instructions for Column B only— North Dakota income (loss)

Complete Column B by filling in the portion of the amount shown in Column A that is derived from North Dakota sources, as explained in the following instructions.

Line 1

Include wages, salaries, tips, commissions, bonuses, and other compensation received for services performed in North Dakota while a nonresident, and all compensation received while a resident.

Minnesota resident. Do not include compensation received for work performed in North Dakota while a Minnesota resident if you maintained a permanent home in Minnesota that you returned to at least once each month.

Montana resident. Do not include compensation received for work performed in North Dakota while a Montana resident.

Interstate commerce employee. Do not include compensation received for work performed in North Dakota while a nonresident if the compensation was received for the performance of regularly assigned duties in more than one state for a railroad, trucking company or other interstate motor carrier defined under federal law in 49 U.S.C. 11504.

Lines 2 through 5

Include amounts received or credited to you while a resident. Except as explained below under "Pass-through entity," do not include amounts received or credited to you while a nonresident. Do not include interest from U.S. obligations regardless of residence.

Pass-through entity. Include interest and dividends from a pass-through entity, such as a partnership or S corporation, to the extent they are allocated and apportioned to North Dakota by the pass-through entity on its North Dakota return. Obtain this information from the pass-through entity.

Line 6

Include net income or loss attributable to the portion of a sole proprietorship operated in North Dakota while a nonresident, and net income or loss derived from a sole proprietorship (regardless of where operated) while a resident.

Minnesota resident. If a Minnesota resident, do not include any net income or loss from a personal or professional service business that is eligible for reciprocity treatment.

Lines 7 and 8

Include gains or losses derived from sales or exchanges of tangible property in North Dakota while a nonresident, and from sales or exchanges of all tangible property (regardless of location) while a resident.

Include gains or losses derived from sales or exchanges of intangible property used in a trade or business operated in North Dakota while a nonresident, and from sales or exchanges of all intangible property while a resident.

Pass-through entity. Include gains or losses from a pass-through entity, such as a partnership or S corporation, to the extent they are allocated and apportioned to North Dakota by the pass-through entity on its North Dakota return. Obtain this information from the pass-through entity.

Lines 9 and 10

Do not include any amounts received while a nonresident. Include amounts received while a resident.

Line 11

Include net income or loss from the rental of tangible property in North Dakota received while a nonresident, and net income or loss from the rental of all property received while a resident.

Include royalties and other income from interests in oil, coal, or other mineral property in North Dakota while a nonresident, and income from all mineral property while a resident.

Include ordinary income or loss from a pass-through entity, such as a partnership or S corporation, to the extent it is allocated and apportioned to North Dakota by the pass-through entity on its North Dakota return. Obtain this information from the pass-through entity.

Include income or loss from an estate or trust derived from North Dakota sources, and all income or loss received while a resident. Do not include interest, dividends, or pension or annuity distributions received while a nonresident. Obtain this information from the estate or trust.

Attach a statement on which each source of North Dakota income or loss included on this line is identified.

Line 12

Include net income or loss attributable to the portion of a farm operated in North Dakota while a nonresident, and net income or loss derived from a farm (regardless of where operated) while a resident.

Line 13

Include unemployment compensation received from North Dakota while a nonresident, and all unemployment compensation received while a resident.

Line 14

Do not include any social security benefits received while a nonresident. If a resident for part of the year, complete the following table to compute the amount to include:

1. Total social security benefits shown on federal return
2. Taxable portion of social security benefits shown on federal return
3. Divide line 2 by line 1
4. Amount of social security benefits received while a resident
5. Multiply line 4 by line 3

Line 15

Include other income from North Dakota sources, such as gambling income, received while a nonresident, and all other income received while a resident.

Lines 17 through 25

Include the amounts determined as follows:

- **IRA.** Multiply the amount in Column A by the ratio of North Dakota earned income to total earned income.
- **Student loan interest.** Multiply the amount in Column A by the ratio of total North Dakota income to total federal income.
- **Medical savings account.** Multiply the amount in Column A by the ratio of North Dakota compensation to total compensation.
- **Moving expenses.** Include if the move was into North Dakota. Enter zero if the move was out of North Dakota.
- **Self-employment tax.** Multiply the amount in Column A by the ratio of North Dakota self-employment income to total self-employment income.
- **Self-employed health insurance.** Multiply the amount in Column A by the ratio of North Dakota self-employment income to total self-employment income.
- **Keogh/self-employed SEP and SIMPLE plans.** Multiply the amount in Column A by the ratio of North Dakota self-employment income to total self-employment income.
- **Early withdrawal penalty.** Include only if the related interest income is reported to North Dakota in Column B.
- **Alimony.** Multiply the amount in Column A by the ratio of total North Dakota income to total federal income.

Need forms or assistance?

If you need a form or schedule mentioned in this booklet, or should you have a question about preparing your North Dakota return . . .

Call us

In the Bismarck-Mandan area, or
from outside North Dakota at (701)328-3450

Toll free (if calling from within
North Dakota) at **1-800-638-2901**

Speech or hearing impaired?

You may call us through
Relay North Dakota at **1-800-366-6888**
(ask for 1-800-638-2901)

Write to

Office of State Tax Commissioner
State Capitol, 16th Floor
600 E. Boulevard Ave.
Bismarck, North Dakota 58505-0599

Visit our Internet website

You may also obtain North Dakota tax forms and guidelines, send messages, and find other information on our Internet web site. The address is:

www.state.nd.us/taxdpt

Come in to see us

If you prefer, you may stop in and see us in person at our main office in Bismarck. You'll find us in the—

Individual Income Tax Section
State Capitol, 16th Floor
Monday thru Friday
8 a.m. to 5 p.m.
(except holidays)

Need help with your federal return?

If you need federal tax forms or have questions about preparing your federal return, please see the box below for walk-in and telephone service provided by the IRS.

This information on IRS tax help is provided for your convenience. It is the result of the cooperative efforts of the IRS and the North Dakota Office of State Tax Commissioner.

City	Location	Date	Time
Bismarck	Dacotah Foundation Building Suite 7A 600 S. 2nd St.	Monday thru Friday January thru December	8:00 a.m. to 4:30 p.m.
Fargo	Federal Building Room 470 657 2nd Ave. N.	Monday thru Friday January thru December	8:00 a.m. to 4:30 p.m.
Grand Forks	Federal Building Room 137 102 N. 4th St.	Monday thru Friday January thru December	8:00 a.m. to 4:30 p.m.

Telephone Service

Tax information and notice inquiries	1-800-829-1040
Forms and publications orders	1-800-829-3676
Recorded tax and refund information	1-800-829-4477
IRS Internet web site	www.irs.ustreas.gov